

## NATIONAL RURAL ROADS PROGRAM - SECOND STAGE

(PR-0104)

### EXECUTIVE SUMMARY

<b>Borrower:</b>	Republic of Paraguay		
<b>Executing agency:</b>	Ministry of Public Works and Communications (MOPC), acting through the Local Roads Office (DCV) and the Environment Office (DMA).		
<b>Amount and source:</b>		<b>Phase 1</b>	<b>Phase 2</b>
	IDB: (OC)	US\$67.0 million	US\$ 80.0 million
	Local:	US\$22.5 million	US\$ 26.0 million
	Total:	US\$89.5 million	US\$106.0 million
<b>Financial terms and conditions:</b>	Amortization period:	20 years	
	Disbursement period:	5½ years	
	Grace period:	5 years	
	Interest rate:	variable	
	Inspection and supervision:	1%	
	Credit fee:	0.75%	
	Currency:	Currency basket	
<b>Objectives:</b>	The objective of the program is to enhance the competitiveness of national production and raise living standards among the rural population, by upgrading and maintaining the level of service on a substantial part of the priority local roads network.		
<b>Description:</b>	<p>The National Rural Roads Program - Second Stage (NRRP-2) aims to consolidate and develop the progress achieved during execution of the National Rural Roads Program - First Stage (NRRP-1), in terms of physical infrastructure and institutionally. This second stage of the program would be executed under the multiphase project modality, with two phases of execution lasting five years each, in which the present operation covers the first five years.</p> <p>The program will support improvements and maintenance activities on local roads in 17 zones classified as priority in terms of their potential for production ? mainly agricultural ? in the eastern part of the country, where most of the population and economic activity are concentrated.</p>		

The program will also cover a priority network of local roads with an approximate length of 6,000 km, of which 1,900 km are major local roads and the remaining 4,100 km secondary. Improvements will be made to about 730 km of major local roads in phase 1 and about 820 km in phase 2. Upon completion of the works, the condition of these roads will have been raised to an acceptable level of performance that ensures year-round serviceability and proper road safety, and will have environmental mitigation measures.

The program also envisages the implementation of a Maintenance Management Plan (MMP) covering the entire priority network. This plan will make it possible to lay the foundations for efficient local road maintenance, by introducing new management modalities as follows: (i) decentralization of maintenance to involve participation by users and local governments; (ii) outsourcing of maintenance; and (iii) improvements in the planning and control of the physical and financial execution of maintenance undertaken by the Local Roads Office (DCV).

The program also includes activities to strengthen management of the DCV and the DMA. Elements will be included in the projects to afford greater safety to vehicles and pedestrians as well as direct and indirect environmental impact mitigations measures. To complement actions already begun with NRRP-1, funding will be provided for the purchase of lands in the project area and various activities to protect and develop indigenous communities.

**The Bank's  
country and  
sector strategy:**

The Bank's actions in Paraguay are concentrated in five strategic areas: (i) the financial sector, to help improve the workings of the system and support capital market development; (ii) reform of the State, to enhance the efficiency of public services delivery and strengthen governance; (iii) modernization of the productive system, to promote economic efficiency; (iv) support for social sectors, to promote their development; and (v) poverty reduction, to improve living standards among low-income populations.

In the transport sector the Bank funds improvements and paving projects on the most important arterial road, as well as the development of local road networks, to establish a basic network allowing adequate and reliable connections between areas of production, marketing and commerce. The development of physical infrastructure in the rural sector is seen as a basic condition for modernizing the agricultural sector, in the context of overcoming extreme rural poverty and promoting development in social sectors. The proposed strategy also assumes the continuation of efforts to implement a sustainable highway maintenance system to keep the road network in a satisfactory condition.

Execution of the second stage of the National Rural Roads Program would continue and be consistent with the strategy the Bank has been implementing in the transport sector.

**Environmental and social review:**

The Environment and Social Impact Report puts forward measures to eliminate or mitigate the socioenvironmental impacts arising from the execution of NRRP-2, or reduce them to acceptable levels. These measures were considered economically viable and feasible to implement under the general terms and conditions established in the Plan for Environmental Management and Protection and Assistance to Indigenous Communities, and in the Operating Regulations for the Environment. In addition, an attempt has been made to maximize the benefits of the program through measures such as the purchase and regularization of indigenous lands in the area of the road projects (paragraphs 3.13 to 3.17).

**Benefits:**

By improving the rural roads network and its maintenance and conservation system, the proposed program will help to: (i) facilitate the integration, development and mobility of rural populations in the areas to be benefited; (ii) support productive sector development, especially livestock breeding, agriculture and agroindustry; (iii) improve the management of rural road maintenance and make road conservation sustainable in the long-term; (iv) facilitate the implementation of protection services and measures to ensure efficient monitoring of natural resource use in ecologically sensitive areas; and (v) improve living standards among the rural populations and indigenous communities located in the program's areas of influence.

**Risks:**

The main risk of the program relates to its long-term sustainability, which will depend mainly on setting up an adequate system for managing local road maintenance, and on the timely availability of resources. As part of the program, a Maintenance Management Plan will be implemented to address the different aspects involved in the sustainability of this sector. The program will contribute directly to the success of the strategy adopted, by disseminating successful experiences with community participation in maintenance of local roads.

Another risk of the program is that the decentralization of road sector management will gather pace without giving time to develop the necessary financial and executive capacity locally. On this issue, the possibility of obtaining a new loan in the future, in keeping with the multiphase operation concept, is a powerful incentive for sustaining the program's approach and ensuring that its targets are met. The Bank is also trying to support the authorities in the road sector and the different political powers in studying the best alternatives for successful decentralization.

**Special contractual clauses:**

**Conditions precedent to first disbursement:** the hiring of consulting services to assist the Local Roads Office in managing the program, and to support implementation of the Maintenance Management Plan (paragraph 2.32).

Detailed proposal for execution of the Maintenance Management Plan (paragraph 2.18).

Evidence that the Environmental Operating Regulations have been enacted and implemented (paragraph 3.14)

Presentation of the methodology for monitoring and evaluating the program (paragraph 3.26).

Presentation of the multi-year maintenance program for the first year of the program (paragraph 3.29).

**Other special conditions are:****Environmental and social aspects:**

Presentation of plans for regularizing title and purchasing land for indigenous communities (paragraph 5.20).

**New investments and maintenance:**

Restrictions on starting new investments (paragraph 3.30).

Procurement of equipment and activation of Maintenance Arrangements with local organizations, municipalities and departments (paragraph 2.26).

**Works by force account:**

For rehabilitation works in critical areas, financing of up to US\$1.8 million will be provided for the purchase of supplies, spare parts, and fuel for execution of specific works by the DCV (paragraph 3.19).

**Poverty-targeting and social sector classification:**

This operation classifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). The operation also qualifies as a poverty-targeted investment (PTI) (paragraph 5.11). The borrowing country will not be using the 10 percentage points in additional financing to which it is entitled (paragraph 2.38).

**Exceptions to Bank policy:** No exceptions to Bank policies are envisaged.

**Procurement:** Bank procedures will be used in hiring services and contracting civil works, and in the procurement of goods to be financed with the proceeds of the IDB loan. International notices will be used in the bidding for consulting services contracts valued at over US\$200,000, for the procurement of goods valued at US\$250,000 or more, and for contracts for civil works valued at US\$2 million or more (paragraph 3.19).